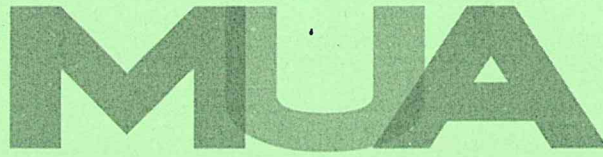


The
Management
University
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BMT 301 : CORPORATE GOVERNANCE

DATE: 9TH DECEMBER 2016

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

TEMBO LTD

Tembo Ltd is a recently established company where two shareholders/directors have set up a biotechnology business. The company forecasts high growth prospects and is managed by an experienced and ambitious team who are capable of turning their business plan into reality. M/s Tabu an employee of ET capital, provider of venture capital funds to this biotechnology start-up has been invited to sit on the Board of Directors of Tembo Ltd. Tabu is now seeking your advice on the following issues:

Required:

- a) Tabu is concerned that the company's affairs are being handled in a relatively informal manner. She has asked for advice on her position as a non-executive director given that Bishop and Pastor are the executive directors of Tembo Ltd?
(6 Marks)
- b) Tabu has heard that company directors occasionally use company assets for personal purposes unrelated to the company's business. Briefly explain why some of these transactions are legally prohibited and for the benefit of whom?
(5 Marks)
- c) Tabu is of interest of ethical practices by the company. Explain how ethics can make corporate governance more meaningful
(4 Marks)
- d) The company has been toying with idea of drafting stewardship code. Briefly explain to Tabu what this stewardship code would address.
(5 Marks)
- e) There are key questions that are underlying a proven best-practice approach to leadership succession planning. List these key five questions
(5 Marks)

QUESTION TWO

Discuss any **FIVE** theories that have shaped the idea of corporate governance and show how each is applicable to corporation in Kenya (15 Marks)

QUESTION THREE

- a) List and explain the main elements of corporate governance (5 Marks)
- b) Discuss the basic shareholders right as established by Organization for Economic Co-operation and Development (OECD) (10 Marks)

QUESTION FOUR

The shareholders are the owners of the corporations whose main objective is wealth maximization while the board of directors are appointed as the stewards. However, on several occasions there are conflicts that do arise that shift the focus of the organization.

Required: Suggest ways by which such conflicts can be resolved giving examples in each case (15 Marks)

QUESTION FIVE

- a) Using the Turnbull Guidance, explain the nature of the internal Control and explain who should have responsibility for the implementation and the effectiveness of a system of internal control. (7 Marks)
- b) Explain **FOUR** principles according to guidelines and regulations of corporate governance (8 Marks)

QUESTION SIX

Write short notes on the following:

- a) Business Ethics (3 Marks)
- b) Professional virtues (3 Marks)

c) Business risk and internal control risk

(5 Marks)

d) Challenges of corporate governance

(4 Marks)